



City of Detroit

OFFICE OF THE AUDITOR GENERAL

**Audit of the
Communications and Creative
Services Department's
Compliance with the
City's Bank Account
Reconciliation Procedure**

November 2003

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with the City's Bank Account Reconciliation Policy**

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MEMORANDUM

DATE: January 23, 2004

TO: Honorable City Council

FROM: Joseph L. Harris
Auditor General 

RE: Audit of the Communications & Creative Services Department's
Compliance with the City's Bank Account Reconciliation Policy

C: Mayor Kwame M. Kilpatrick

To encourage and promote proper accounting procedures and assess certain controls specific to cash management, the Office of the Auditor General (OAG) audits the bank reconciliation reports of all agencies within the City of Detroit. These audits are conducted throughout the year.

This report presents the results of our audit of the Communications & Creative Services Department's reconciliation procedures for its one bank account.

AUDIT PURPOSE, SCOPE, OBJECTIVE, AND METHODOLOGY

Audit Purpose

The purpose of the Office of the Auditor General's (OAG) audit is to determine whether bank reconciliations for City agencies are being completed in accordance with the Finance Department's Bank Reconciliation Policy and Procedure.

Audit Scope

The OAG audited the bank reconciliation for the bank account maintained by the Communications & Creative Services Department: Imprest Cash. The bank statement requested and reviewed was for the month of June 2003.

Our audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, except that an external quality review has not been completed within the last three years.

Audit Objective

The objective of our bank account reconciliation audit was to determine whether the bank account for the Communications & Creative Services Department was properly reconciled, in a timely manner, in accordance with the Finance Department's Bank Reconciliation Policy and Procedure.

Audit Methodology

To accomplish the objective, our work included the following:

- Reviewed the City's policy and procedure on bank account reconciliations.
- Contacted Communications & Creative Services Department personnel to obtain a copy of its recent bank account reconciliation.
- Contacted Finance Department Treasury Division personnel to obtain the recent Communications & Creative Services Department bank account reconciliation.
- Reviewed the bank account reconciliation for compliance with the Finance Department's Bank Reconciliation Policy and Procedure, and with sound accounting principles.

BACKGROUND

An important component of internal control is management's ongoing process of monitoring compliance with policies and procedures, and the safeguarding of assets.

Among the fiscal controls for safeguarding assets is the periodic comparison of actual assets with amounts shown in accounting records, in this case the comparison of external records with internal accounting records.

Preparing reconciliations between external and internal records helps to provide assurance that the City's cash assets do in fact exist.

The timely verification of the existence of assets and proper valuation provides information to the agency that allows it to make sound decisions.

It is not uncommon to have items in transit or clerical errors that account for differences between the book and bank balances. It is expected that these items will be resolved within a reasonable time period and will not remain as reconciling items indefinitely.

FINDINGS AND RECOMMENDATIONS

The Communications & Creative Services Department provided the OAG with a copy of the June 30, 2003 reconciliation for its bank account. A summary of the Communications & Creative Services Department's compliance with the City's Bank Reconciliation Policy and Procedure is contained in the following schedule.

Agency Bank Account	Was a Reconciliation Completed?	Completed Within 45 Days?	Any Unresolved Items?	Forwarded to Treasury?	Book Balance	Bank Statement Date
Imprest Cash	No	No	No	No	\$50.72	6/30/03

1. Complete Reconciliation Procedure Within 45 Days of the Bank Statement Date

The Communications & Creative Services Department's June 30, 2003 bank account reconciliation procedure was not completed in accordance with City policy within 45 days of the bank statement date, because the reconciliation does not contain the required approval.

A Communications & Creative Services Department representative explained that the reconciliation was not approved because he was not aware of the requirement.

Verification of the existence of assets allows the agency to quickly identify instances of misappropriation or error, and provides management the information necessary to make sound decisions.

The Finance Department's Bank Reconciliation Policy requires that each agency complete a bank reconciliation monthly, for each account tied directly to its funds, no later than 45 days after the bank statement date. The Bank Reconciliation Procedure requires that the reconciliation be approved.

We recommend that the Communications & Creative Services Department complete the reconciliation procedure of its bank account in accordance with City policy within 45 days of the bank statement date.

2. Forward Copies of All Completed Reconciliations to the Treasury Division

The Communications & Creative Services Department's Imprest Cash account reconciliation was not on file in the Treasury Division.

A Communications & Creative Services Department representative stated that the reconciliation was not submitted to Treasury because he was not aware of the requirement.

The centralized collection of reconciled bank statements allows City administration to monitor each agency's compliance with City policy and provides assurance that City funds are properly controlled and accounted for.

The Finance Department's Bank Reconciliation Procedure requires that each agency forward an original, approved and dated, bank reconciliation to the Treasury Division monthly. The Bank Reconciliation Policy requires that the reconciliation be completed no later than 45 days of the bank statement date and sent to the Treasury Division.

We recommend that the Communications & Creative Services Department forward its completed bank reconciliation to the Treasury Department within 45 days of the bank statement date.



CITY OF DETROIT
COMMUNICATIONS AND CREATIVE SERVICES DEPARTMENT

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January 12, 2004

ATTACHMENT A

Mr. Joseph L. Harris, Auditor General
Office of the Auditor General
2 Woodward Avenue
Coleman A. Young Municipal Center, Room 208
Detroit, MI 48226

Dear Mr. Harris:

The following presents the Communications and Creative Services Department's response for the indicated finding and related recommendations in the November 2003 financial related impress cash audit of the Department, as prepared by the Office of the Auditor General.

Finding No. 1 Complete Reconciliation within 45 Days of the Bank Statement Date

Department's Response

The Communications and Creative Services Department will complete the reconciliation procedure of its account in accordance with City policy within 45 days of the bank statement date.

Finding No. 2 Forward Copies of All Completed Reconciliations to the Treasury Division

Department's Response

The Communications and Creative Services Department will forward its completed bank reconciliation to the Treasury Division within 45 days of the bank statement date.

Sincerely,

Shannon McCarthy
Director

